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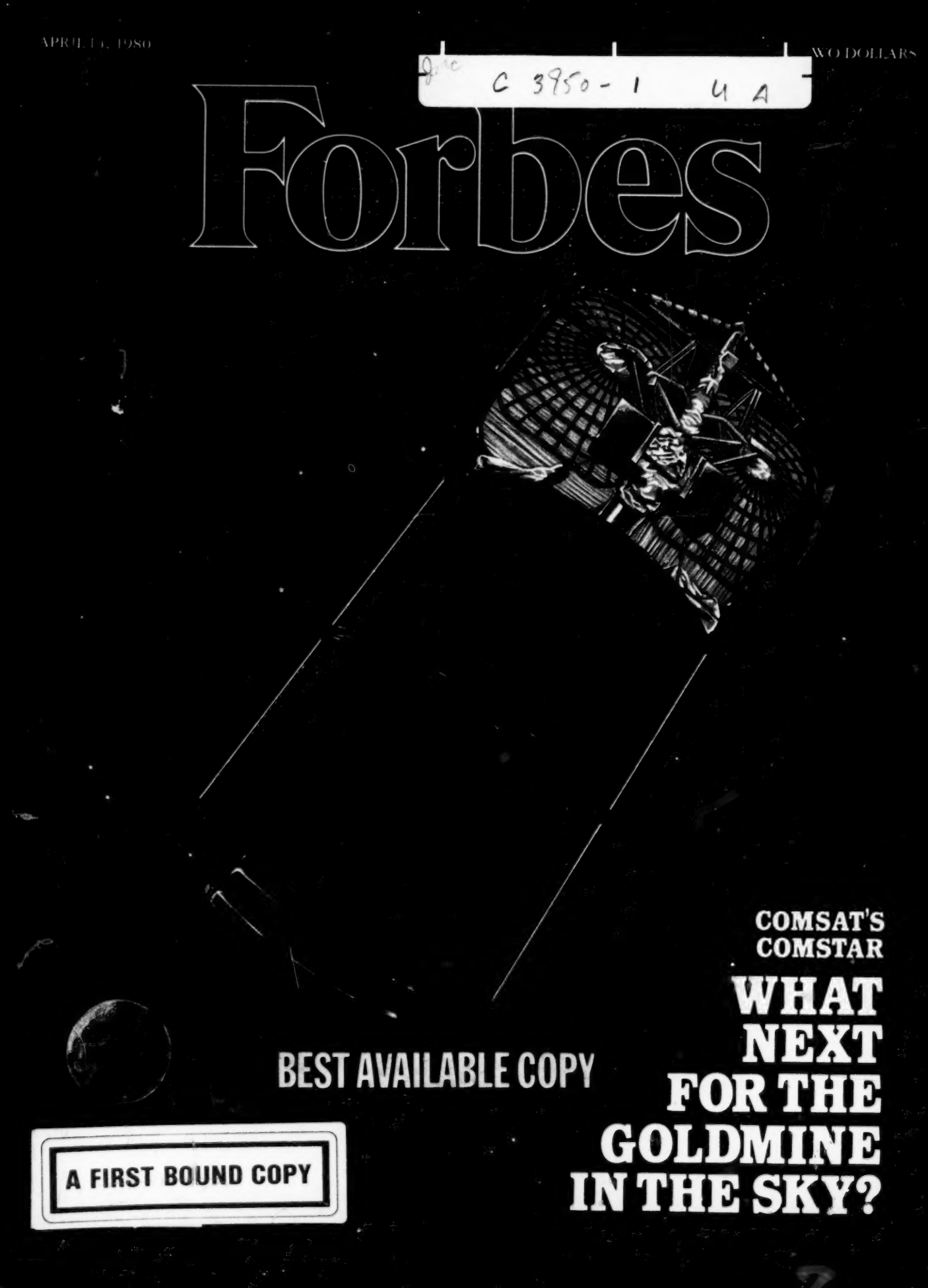
TWO DOLLARS

Forbes



COMSAT'S COMSTAR

WHAT NEXT FOR THE GOLDMINE IN THE SKY?

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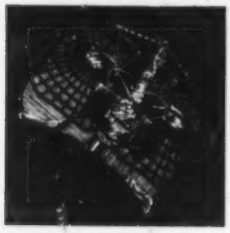
Forbes

April 14, 1980
Volume 125, Number 3



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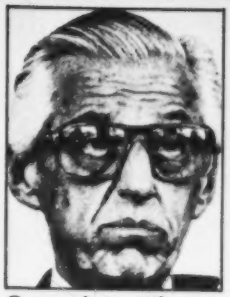

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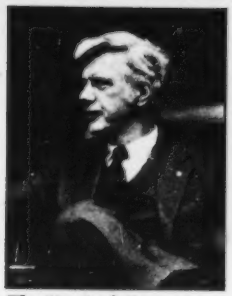

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The politicians have left inflation-fighting to the Federal Reserve. That may be good news for the country but it's bad news for the banks.

But from whom can your friendly banker borrow?

On March 17, John G. Medlin Jr., president and CEO of Wachovia Corp., boarded a plane in the chilly dawn of Winston-Salem, N.C. and flew off to Washington to join 50 fellow bank chief executives from around the country to hear Paul A. Volcker lay down the law. The Fed was lowering the boom on credit expansion with an array of painful weapons—additional reserve requirements, penalty discount rates and scads more rules applying to all lenders.

But when Medlin got back to his North Carolina offices at 3:30 that day, he wasn't the least bit uneasy. Wachovia has always played a conservative game. That characteristic helped the holding company emerge unscathed from the 1974-75 bank credit disaster and it would bring peace of mind again in 1980. Of its $3.8 billion in deposits, Wachovia sits on $800 million in low-cost passbook savings accounts, another $600 million in savings certificates and $1.2 billion in interest-free demand deposits. "A strong core deposit base," remarks Medlin with pride. "That's the kind of thing that carries you through the easy times as well as the tough times."

Most banks aren't so lucky. At the beginning of 1980, Morgan Stanley & Co. bank stock analyst Arthur P. Soter was projecting an 8%-to-10% increase in bank holding company earnings, on the expectation that short-term rates would peak before the end of the first quarter. But now, with interest rates rising instead of peaking, Soter has changed his earnings projections. He now looks for, at best, a slight, 3%-to-7% increase in bank earnings—at best because he assumes continued high interest rates will not decline until about midyear. If they stay high after June, however, Soter can see a flattening in bank earnings this year, something that hasn't happened since the end of World War II.

Soter is looking for credit losses, of course, but this isn't the whole problem. The banks are being badly squeezed in their traditional role as middlemen. Bankers, essentially, borrow money from the public and lend it out at a profit. The idea is to borrow cheap and lend dear. Only now the process is reversed: They are having to borrow dear while large parts of their loan and investment portfolios are locked in at much lower rates. How can you make out if you are frozen into consumer loans at, say, 12% but you have a cost of 22% raising funds in the money market? Little wonder the banks raise the prime rate on new and renewal loans as fast as they can.

The problem is made worse by the changed nature of banking. When banks were chiefly short-term lenders, rolling over their typical business loan every 90 days, they could quickly adjust the price of money to the cost of money. In those days a major part of their liabilities was represented by demand deposits—which were, in effect, virtually cost-free money. But demand deposits, except where required as compensating balances, are a vanishing institution—no more free money for the banks. The nature of bank loans has changed, too.

Today, larger portions of banks' portfolios contain medium-term loans and even long-term mortgages and securities, where the interest rates are fixed. Take Bank of America. America's biggest bank is healthier than most and yet only 58% of its loans in 1979 were short term with flexible interest rates. As against this, 66% of its obligations carried flexible interest rates. So, as interest costs rose on 66% of its obligations, Bank of America could raise rates fast

A few superlatives

Below, performance highlights of the 100 largest bank holding companies drawn from the tables on the following pages.

Biggest—fastest BankAmerica (Calif)	$108,389	**Total bank assets—1979**	**Smallest—slowest** Financial Gen Bancshs (DC)	$2,293
Mercantile Texas (Tex)	41.4%	**Growth of assets*** Industry median: 10.8%	Fidelcor (Pa)	–0.8%
Trust Co of Georgia (Ga)	99.9%	**Growth of earnings per share*** Industry median: 13.4%	Fidelcor (Pa)	–28.2%
Mercantile Texas (Tex)	18.6%	**Four-year return on equity*** Industry median: 12.7%	Fidelcor (Pa)	3.1%
Trust Co of Georgia (Ga)	6.39%	**Net interest margin—1979** Industry median: 4.40%	Bank of Tokyo Trust (NY)	1.92%
JP Morgan (NY)	$30,368	**Market value of trust assets—1979**	Pittsburgh Natl (Pa)	$2,568
JP Morgan (NY)	$128	**Trust department revenues—1979**	Boatmen's Bancshs (Mo)	$6

Note: $ value in millions. *Compounded annual rate 1979/1975.

1980 Annual Banking Survey

100 largest bank holding companies: a statistical profile

1979 size measures ($millions)

Rank	Total assets	Total deposits	% domestic demand deposits	Total loans	Loan loss res as % of loans	Charge-offs	Total investments	Total capital	Long-term debt % capital	Total operating income	Net income‡	Company and headquarters
1	$108,389	$84,985	16.8%	$57,601	1.0%	$151.5	$8,472	$4,656	25.7%	$9,450	$600.2	BankAmerica (Calif)
2	106,371	70,291	12.5	62,993	0.8	184.7	4,816	8,099	55.6	10,904	544.2	Citicorp (NY)
3	64,708	48,456	29.2	40,170	1.1	93.0	4,058	3,552	35.1	6,079	311.2	Chase Manhattan (NY)
4	47,675	38,156	36.6	25,475	1.0A	53.6	2,553	2,418	35.2	3,847	211.3	Mfrs Hanover (NY)
5	43,488	30,279	32.6	22,373	1.1A	+3.7A	3,405	2,530	22.9	3,634	288.3	JP Morgan (NY)
6	39,375	28,987	33.1	20,524	1.0	35.8	3,692	1,866	36.2	3,292	142.3	Chemical New York (NY)
7	35,790	24,007	21.7	23,074	1.0A	49.1	2,226	1,892	28.0	3,376	194.1	Continental Illinois (Ill)
8	30,953	22,437	36.3	16,133	1.1	21.6	1,805	1,263	26.5	2,727	114.5	Bankers Trust (NY)
9	30,182	21,106	16.0	15,704	1.0	76.7	2,133	1,548	23.4	2,646	115.4	First Chicago (Ill)
10	29,687	23,631	37.1	17,031	1.4	46.5	4,317	1,803	31.1	2,690	214.9	Western Bancorp (Calif)
11	24,923	18,451	31.4	16,317	1.1	40.9	2,367	1,402	25.6	2,438	164.5	Security Pacific (Calif)
12	20,593	15,831	27.3	14,861	0.9	40.1	1,683	1,351	38.3	2,018	130.2	Wells Fargo (Calif)
13	16,702	13,525	47.5	7,365A	1.3A	19.0A	958	783	33.8	1,304	69.0	Irving Bank (NY)
14	16,139	12,517	31.3	10,539	1.1	37.9	1,143	905	27.1	1,538	89.4	Crocker Natl **(Calif)
15	15,728	12,509	26.7	9,111	1.3	34.9	1,068	883	45.6	1,412	42.8	Marine Midland (NY)
16	13,760	8,965	26.0	7,087	1.3	27.6	1,789	1,072	39.4	1,637	85.0	First Natl Boston (Mass)
17	13,508	9,503	30.6	6,887	1.8	8.0	856	1,251	34.0	1,148	101.0	Mellon Natl (Pa)
18	12,416	9,573	32.3	7,516	1.0	10.7	2,106	1,114	34.1	1,145	109.7	Northwest Bancorp (Minn)
19	12,118	8,983	35.1	6,850	1.0	14.2	2,159	963	26.4	1,054	103.3	First Bank System (Minn)
20	11,504	8,920	32.3	5,922	1.0	18.9	1,692	883	32.8	1,071	100.3	First Intl Bancshs (Tex)
21	10,798	7,647	31.8	5,411	1.2	11.1	1,301	710	29.3	951	72.6	Republic of Texas (Tex)
22	9,506	6,896	33.6	4,602	1.3	10.1	1,619	707	14.0	812	82.0	Natl Detroit (Mich)
23	9,505	7,597	38.5	4,553	1.3	13.1	1,631	524	14.3	810	70.0	First City Bancorp (Tex)
24	9,260	7,226	41.0	4,940	1.1	6.8	1,442	550	10.0	791	82.4	Texas Comm Bancshs (Tex)
25	8,994	6,870	32.5	4,321	0.7	24.6	858	409	12.1	791	43.9	Bank of New York (NY)
26	8,987	5,307	23.3	4,633	1.4	42.5	1,589	667	47.5	991	16.5	First Pennsylvania (Pa)
27	8,401	6,652	31.5	5,406	1.1	8.6	493	505	14.6	806	65.5	Seafirst (Wash)
28	7,766	6,370	45.1	4,420	1.2	9.4	657	428	32.2	628	20.9	European American†† (NY)
29	7,108	4,929	34.1	3,302	1.0	4.5	947	388	13.9	587	35.5	Harris Bankcorp (Ill)
30	6,563	5,154	45.2	3,639	1.3	1.6	1,246	347	15.9	567	36.7	Union Bank†††‡ (Calif)
31	6,365	4,477	37.7	2,789	1.1	14.1	880	497	39.7	562	44.5	NCNB (NC)
32	5,916	4,056	45.5	3,145	1.2	13.9	600	429	28.0	557	45.2	Philadelphia Natl (Pa)
33	5,566	1,889	40.3	3,866	2.0	33.8	376	1,179	71.8	634	41.2	Walter E Heller Intl§§ (Ill)
34	5,563	3,912	31.2	2,870	1.0	6.6	814	392	18.0	472	49.0	Pittsburgh Natl (Pa)
35	5,402	3,763	31.3	3,211	1.4	4.7	1,214	505	0.0	49[illegible]	57.4	AmeriTrust (Ohio)
36	5,399	4,545	24.3	3,607	0.6	11.7	826	418	27.5	511	44.2	Michigan Natl (Mich)
37	5,358	3,912	32.7	2,389	1.2	5.0	717	334	18.0	489	30.4	Northern Trust (Ill)
38	5,199	4,331	34.5	3,168	1.3	3.8	628	268	0.8	477	47.5	Valley Natl Bank‡‡ (Ariz)
39	5,107	3,673	43.6	2,773	1.1	3.0	799	282	29.3	435	23.1	First Wisconsin (Wis)
40	5,097	3,825	38.7	2,680	1.2	2.1	592	337	4.9	437	46.6	Wachovia (NC)
41	5,067	3,527	26.4	2,608	1.1	4.3	1,231	346	10.1	440	47.0	DETROITBANK (Mich)
42	5,028	3,828	41.0	2,322	1.4	12.1	1,155	449	38.0	438	36.9	Southeast Banking (Fla)
43	5,005	3,805	31.5	2,658	0.9	10.5	1,323	309	4.1	437	32.2	BancOhio (Ohio)
44	4,972	3,330	42.5	2,228	1.5	3.4	1,021	345	2.1	394	53.6	National City (Ohio)
45	4,849	3,634	29.8	3,055	1.1	8.3	677	312	6.9	438	17.0	Natl Bk of NA†††‡ (NY)
46	4,709	3,332	42.8	2,631	1.2	5.2	937	362	32.6	430	40.5	Mercantile Texas (Tex)
47	4,526	3,608	30.3	2,769	1.0	8.4	896	293	17.6	405	33.6	Manufacturers Natl (Mich)
48	4,496	3,457	29.7	3,165	1.0	10.8	422	321	17.6	466	37.2	Rainier Bancorp (Wash)
49	4,431	3,512	35.1	2,922	0.8	4.2	660	470	31.8	426	52.5	US Bancorp (Ore)
50	4,408	3,287	10.7	2,130	2.1	9.2	476	333	35.0	401	33.8	Republic New York (NY)

‡From continuing operations before security gains or losses and extraordinary items. **Excludes gain on sale of building. ††Company not publicly traded; stock data not available. §§Includes the results of nonbank operations where applicable. ‡‡Bank only; not organized as a holding company. A: Includes leases.

Growth measures*							Profitability & cost measures			Stock data			
Average assets		Equity per share		Earnings per share†		Dividend	Return	Net interest	Overhead				
4-year average	1979 vs 1978	4-year average	1979 vs 1978	4-year average	1979 vs 1978	4-year average	on equity 4-yr avg	margin§ 1979	times NI 1979	Recent price	1979 EPS†	P/E ratio	Current yield
12.0%	15.6%	12.7%	13.3%	17.0%	20.2%	14.3%	17.8%	3.52%	3.3	21⅛	$4.10	5.2	6.2%
13.6	19.4	11.1	11.7	11.3	14.5	10.1	16.0	3.19	4.1	17⅞	4.34	4.1	7.3
9.8	8.9	5.7	11.3	12.9	59.3	2.2	10.1	3.33	4.0	36⅜	8.81	4.1	7.7
12.4	18.4	8.6	9.0	7.5	14.8	7.3	14.4	3.38	3.4	27⅛	6.42	4.2	9.3
12.6	22.8	11.0	10.7	10.4	11.9	8.6	15.1	2.68	1.6	43	7.07	6.1	6.5
9.5	9.4	5.5	7.2	6.5	21.0	2.4	11.6	3.07	4.9	34	8.53	4.0	10.2
15.6	23.3	10.4	11.1	11.3	11.1	7.3	15.7	2.48	2.4	21⅜	4.99	4.3	7.5
8.7	7.5	4.6	8.5	12.7	45.3	0.7	9.9	2.83	4.5	38	9.30	4.1	8.7
9.0	13.8	7.5	5.9	1.0	–14.0	5.3	11.6	2.09	3.3	13⅝	2.83	4.8	8.8
11.2	15.0	10.2	13.5	26.4	23.4	13.9	14.9	4.79	4.1	27⅜	5.38	5.1	5.9
12.6	17.5	9.8	12.0	23.2	14.7	11.4	15.1	4.23	4.2	24¾	5.94	4.2	7.3
13.2	15.7	10.3	11.1	18.4	11.0	14.3	15.1	4.47	4.3	22⅞	5.45	4.2	8.4
9.1	15.5	8.0	10.2	10.9	23.9	5.1	12.7	3.65	4.6	30¼	7.77	3.9	9.0
9.6	15.0	8.8	14.4	16.5	18.0	4.1	14.3	5.18	5.6	24¾	6.68	3.7	8.9
6.6	15.6	3.4	6.6	29.2	63.1	–18.4	5.5	3.03	7.7	14¾	3.18	4.6	5.4
11.7	15.3	6.1	9.9	17.4	33.6	2.2	10.8	4.03	3.9	24⅞	6.84	3.6	8.8
6.9	17.7	3.9	7.9	12.1	17.4	9.1	11.2	3.72	2.4	22¼	4.92	4.5	8.3
13.6	14.4	10.5	11.2	14.2	16.0	11.6	15.2	4.08	3.0	19⅜	4.13	4.7	6.8
12.4	13.7	9.9	11.1	12.9	13.1	8.3	14.8	4.06	2.5	32¼	6.80	4.8	6.8
15.2	16.7	12.0	13.4	15.4	18.6	12.3	17.4	3.78	2.0	34¼	4.79	7.3	4.3
17.6	21.8	12.8	12.2	15.9	24.4	8.6	14.3	3.32	2.4	22	4.08	5.4	5.3
5.6	8.4	8.3	8.6	10.8	10.2	10.3	12.8	4.29	2.7	24	6.24	3.8	8.3
14.5	17.3	11.9	12.3	16.9	20.5	13.6	15.8	4.10	2.8	35⅝	5.34	6.7	4.4
16.8	19.1	13.3	14.1	18.5	21.0	11.7	17.6	4.12	1.9	41¼	5.70	7.2	3.9
19.5	30.2	6.9	6.8	6.2	13.9	3.4	12.4	3.51	4.1	30½	7.05	4.3	8.9
9.6	15.8	0.5	–0.7	–6.6	–46.5	0.0	7.6	2.42	12.2	6	1.06	5.7	7.3
14.8	20.9	11.7	12.4	16.2	14.1	12.0	15.8	4.80	3.7	23¼	4.28	5.5	4.7
12.8	17.0	10.7	34.8	29.4	48.6	—	6.5	3.26	6.6	—	—	—	—
12.8	14.4	6.0	5.8	–1.6	13.7	7.4	10.8	2.99	4.4	23½	4.65	5.1	8.5
12.7	13.4	9.0	17.8	26.0	16.7	—	11.8	4.83	5.1	—	—	—	—
9.3	15.7	9.0	13.0	22.9	24.1	4.5	13.1	4.37	3.2	11¼	2.42	4.6	6.4
8.5	7.6	6.8	8.8	9.8	22.4	4.7	11.9	4.52	4.2	25	6.77	3.7	10.6
12.5	14.9	8.3	9.2	7.8	14.5	8.2	13.4	4.18C	2.9C	16⅞	3.40	5.0	7.1
12.7	25.8	8.4	9.6	11.6	21.7	10.1	13.7	4.19	2.7	33	7.30	4.5	8.5
8.2	11.1	7.3	7.5	8.4	9.2	10.1	11.7	4.63	2.3	25¼	6.20	4.1	9.5
13.0	11.8	14.0	12.8	16.1	4.2	22.0	17.4	6.00	3.7	14	4.70	3.0	8.6
9.0	11.1	7.7	6.4	1.3	3.0	6.4	11.3	3.15	4.5	29	5.52	5.3	7.6
12.1	18.4	11.2	15.1	22.9	27.0	11.5	16.1	5.63	3.5	26	4.65	5.6	5.4
8.4	10.2	5.0	7.7	17.6	28.6	1.3	9.5	3.27	5.1	20⅝	5.30	3.9	9.1
9.9	17.4	9.7	10.0	9.9	20.4	0.8	13.7	4.95	3.2	15⅝	2.71	5.8	5.5
12.7	10.3	9.2	9.2	10.8	3.7	12.4	13.9	3.96	2.6	19	4.77	4.0	9.5
10.1	9.6	4.6	5.0	24.6	30.0	–0.7	10.2	5.20	4.5	13¼	2.77	4.8	6.6
10.8	13.4	6.9	6.9	6.3	0.3	6.4	10.7	4.58	4.8	13½	3.70	3.6	10.4
10.1	17.4	10.1	9.1	9.6	8.3	10.9	16.4	4.68	1.9	32¼	6.15	5.3	8.4
11.8	13.3	6.9	16.9	4.7	–8.0	—	6.0	3.65	6.9	—	—	—	—
41.4	19.2	8.7	12.4	19.3	2.7	8.5	18.6	4.20	2.5	19⅞	3.77	5.3	6.6
12.4	15.0	8.7	9.6	11.6	2.9	12.0	13.8	3.80	3.6	20	6.46	3.1	11.0
13.6	14.5	11.3	11.6	14.2	9.6	19.8	15.3	5.33	4.2	19⅝	4.23	4.6	6.3
11.5	12.1	13.1	14.0	17.4	13.7	7.4	17.8	5.37	2.5	22¾	3.65	6.2	4.4
30.1	31.8	13.6	14.1	12.8	18.1	43.8	17.9	3.23	2.0	42¼	8.34	5.1	6.0

*4-year average equals a compounded annual rate: 1979/1975. †From continuing operations after security gains or losses excluding extraordinary items. §Net interest income on a taxable equivalent basis as a percentage of average earning assets. C: Bank only.

1980 Annual Banking Survey

100 largest bank holding companies: a statistical profile

Rank	1979 size measures ($millions) Total assets	Total deposits	% domestic demand deposits	Total loans	Loan loss debt % of loans	Charge-offs	Total investments	Total capital	Long-term debt % capital	Total operating income	Net income‡	Company and headquarters
51	$4,360	$3,247	43.1%	$2,439	1.2%	$6.9	$ 460	$341	36.6%	$394	$31.6	Girard (Pa)
52	4,327	2,941	39.2	2,143	1.1	7.3	722	320	29.8	381	32.7	Mercantile Bancorp (Mo)
53	4,060	3,240	57.4	2,100	2.3	19.8	610	251	10.4	383	24.5	Citizens & Sthrn NB (Ga)
54	3,898	2,652	47.6	1,937	1.1A	4.0A	571	253	11.8	339	28.4	First Union Bancorp (Mo)
55	3,732	2,709	34.4	2,264	1.1	9.7	525	275	24.1	329	25.9	Maryland Natl (Md)
56	3,663	3,102	39.8	1,816	1.3A	5.6	1,160	303	28.4	333	32.1	Barnett Banks of Fla (Fla)
57	3,558	2,736	45.2	1,751	1.2	6.6	613	250	19.5	289	25.2	Southwest Bancshs (Tex)
58	3,447	2,441	41.7	1,939	1.5	4.7	717	236	30.5	320	20.4	BanCal Tri-State (Calif)
59	3,426	2,583	32.1	2,075	0.7	6.1	358	394	39.4	348	37.2	First Security (Utah)
60	3,416	2,306	27.8	1,458	1.4	3.6	753	252	30.8	277	24.8	Centran (Ohio)
61	3,367	2,865	20.0	1,857	1.1	+0.4	626	214	17.8	264	13.0	Bank of Tokyo Trust†† (NY)
62	3,265	2,867	30.9	2,130	1.1	2.8	556	195	32.0	311	20.5	Calif First Bank ‡‡ (Calif)
63	3,225	2,118	20.8	1,941	1.4A	10.4A	612	278	39.5	329	24.9	Industrial Natl (RI)
64	3,216	2,496	38.3	2,141	1.1A	11.1A	546	313	40.4	311	29.6	United Va Bankshs (Va)
65	3,180	2,406	32.5	1,983	1.1	7.4	561	275	37.2	302	21.3	Lincoln First Banks (NY)
66	3,142	2,238	49.4	1,635	1.6	3.9	459	188	17.5	279	16.4	Shawmut (Mass)
67	3,121	2,203	41.3	1,659	1.6	4.6	534	263	41.5	311	24.1	First Union (NC)
68	3,110	2,419	38.3	1,611	1.1	3.5	605	198	20.9	253	18.4	First Natl St Bancorp (NJ)
69	3,019	2,378	28.7	1,688	1.4	5.4	729	242	15.1	266	28.0	Society (Ohio)
70	3,000	2,075	56.3	1,505	1.3	15.1	233	232	32.5	298	18.4	First Atlanta (Ga)
71	2,929	2,254	40.2	1,638	1.1	4.0	547	244	23.6	259	24.8	Texas Amer Bancshs (Tex)
72	2,880	2,280	41.3	1,677A	1.6A	4.0A	589	209	19.1	248	24.9	Midlantic Banks (NJ)
73	2,872	2,502	41.2	1,433	1.2	6.0	789	224	17.3	236	23.4	Sun Banks of Florida (Fla)
74	2,856	1,968	60.0	1,359	1.8	6.5	379	205	22.5	274	27.7	Trust Co of Georgia (Ga)
75	2,849	2,433	37.2	1,617	0.9	5.9	660	189	8.3	254	22.7	BayBanks (Mass)
76	2,837	2,163	38.8	1,857	1.4A	8.8A	291	226	36.8	284	7.4	Fidelcor (Pa)
77	2,764	2,103	48.5	1,646A	1.0A	6.3A	359	185	28.8	265	17.8	CBT (Conn)
78	2,730	1,802	33.7	1,454	1.4	3.2	441	169	12.8	254	19.1	American Fletcher (Ind)
79	2,700	2,135	42.3	1,465	1.4A	5.5A	520	230	30.1	244	22.0	First Tenn Natl (Tenn)
80	2,687	2,183	43.7	1,348	1.2	5.2	468	168	3.9	221	21.8	Riggs Natl Bank‡‡ (DC)
81	2,671	2,108	42.3	1,544	1.5	5.7	538	239	25.3	233	25.1	Alabama Bancorp (Ala)
82	2,661	2,053	25.3	1,481	0.9	2.2	825	161	26.3	239	8.5	Equimark (Pa)
83	2,653	2,143	40.6	1,470	1.5	3.7	543	214	8.2	228	23.2	Commerce Bancshs (Mo)
84	2,598	1,635	56.1	1,102	1.8	5.0	572	204	37.4	249	16.0	State Street Boston (Mass)
85	2,591	2,092	48.1	1,286	1.4	2.5	287	125	29.6	226	9.8	Hartford Natl (Conn)
86	2,553	1,942	34.0	1,349	1.1	4.5	495	176	13.9	235	21.6	Huntington Bancshs (Ohio)
87	2,525	1,946	41.3	1,521	0.9	6.0	470	165	32.7	204	13.1	United Jersey Banks (NJ)
88	2,524	2,121	34.5	1,503	1.2	6.4	570	235	21.7	238	30.2	Banc One (Ohio)
89	2,521	2,079	35.6	1,480	1.1	7.4	516	225	36.1	253	21.3	Virginia Natl Bankshs (Va)
90	2,499	1,920	53.5	1,369	0.9A	13.5A	277	177	24.9	229	16.0	First Natl Bancorp (Colo)
91	2,488	1,820	38.7	1,521	1.6	2.5	511	260	26.0	237	23.6	Provident Natl (Pa)
92	2,473	2,146	31.0	1,603	1.2	3.8	359	134	6.4	241	15.0	Lloyd's Bank Calif††‡‡ (Calif)
93	2,472	2,046	35.3	974	1.2	9.5	565	137	17.8	223	18.0	Banco Popular‡‡ (PR)
94	2,451	1,906	36.8	1,177	1.4	2.2	445	116	32.7	242	16.5	New Eng Merchants (Mass)
95	2,370	1,848	48.1	1,321	1.1	5.2	395	207	34.1	228	20.2	United Banks of Colo (Colo)
96	2,342	1,822	43.6	1,321	1.2	3.1	492	204	5.8	197	22.4	Fidelity Union Bncp (NJ)
97	2,318	1,849	29.2	1,349	1.1A	2.4A	341	163	5.4	209	21.7	American Security (DC)
98	2,318	1,612	30.3	1,607	1.0A	11.8	329	246	38.8	246	14.9	Bank of Virginia (Va)
99	2,297	1,735	37.5	1,345	1.3	3.3	376	191	35.6	217	15.2	First & Merchants (Va)
100	2,293	1,954	42.0	1,270	1.1	3.7	581	187	13.5	204	15.8	Fin Gen Bancshs (DC)
			35.5		1.2				26.5			MEDIANS

‡From continuing operations before security gains or losses and extraordinary items. ††Company not publicly traded; stock data not available. ‡‡Bank only; not organized as a holding company. A: Includes leases.

Growth measures*							Profitability & cost measures			Stock data			
Average assets		Equity per share		Earnings per share†		Dividend	Return	Net interest	Overhead				
4-year average	1979 vs 1978	4-year average	1979 vs 1978	4-year average	1979 vs 1978	4-year average	on equity 4-yr avg	margin§ 1979	times NI 1979	Recent price	1979 EPS†	P/E ratio	Current yield
4.9%	5.5%	6.1%	10.1%	16.2%	31.3%	3.5%	11.5%	4.18%	3.4	19½	$6.08	3.2	10.3%
10.2	15.6	6.7	8.9	8.2	20.2	1.3	13.8	3.82	2.8	21¼	5.48	3.9	10.9
6.2	2.6	3.4	14.1	9.5	125.7	–41.7	5.2	5.57	7.0	5⅝	0.79	7.1	4.3
10.7	12.6	8.1	8.9	11.1	11.4	5.5	13.2	3.89	3.1	26½	5.95	4.5	8.3
10.7	12.0	8.7	10.0	5.1	17.9	4.0	12.0	5.18	4.4	12¾	3.49	3.7	6.9
11.8	17.0	7.9	12.3	31.7	34.4	5.4	11.9	5.71	4.4	18¼	3.67	5.0	5.5
12.6	15.4	8.5	8.1	11.8	0.5	6.6	13.1	4.34	3.2	22⅝	3.70	6.1	6.2
2.8	7.1	6.7	9.9	61.4	14.4	–10.2	11.4	4.46	5.3	27⅝	4.21	6.6	4.1
14.6	10.2	12.4	11.1	13.3	9.6	9.9	17.5	5.00	2.9	18⅛	2.97	6.1	4.7
10.3	17.2	7.0	8.8	8.9	23.8	6.2	12.3	4.28	3.4	21½	5.78	3.7	11.2
12.5	10.0	8.4	8.4	10.5	2.4	—	8.4	1.92	1.8	—	—	—	—
24.5	15.1	9.5	13.2	20.7	30.1	17.8	13.9	4.88	5.2	16½	3.50	4.7	6.5
9.5	14.9	7.9	9.4	19.4	24.4	4.7	13.6	4.14	3.5	16½	3.92	4.2	9.7
6.4	2.6	7.4	10.9	21.1	18.7	6.5	13.0	5.29	4.1	22⅛	4.89	4.5	7.2
5.8	5.2	4.9	5.8	12.0	7.3	0.8	10.6	4.57	5.5	19¾	4.86	4.1	10.1
6.3	5.3	5.0	7.3	66.1	60.6	–7.5	6.9	4.54	6.4	36	7.92	4.5	7.8
9.3	18.5	7.8	11.4	32.8	25.1	2.7	12.1	4.74	4.6	11½	3.39	3.4	8.3
9.2	7.7	4.8	6.2	8.3	15.4	1.8	10.8	4.13	4.3	17¾	4.43	4.0	12.4
9.1	10.1	7.2	5.8	13.1	15.0	12.1	13.0	4.93	3.3	15½	3.98	3.9	8.5
5.7	10.0	5.9	8.3	22.7	14.7	2.4	10.9	5.80	6.0	11¼	2.58	4.4	7.8
12.6	14.0	10.0	10.7	14.7	10.9	13.6	13.8	4.74	3.0	22¼	4.27	5.2	5.6
12.1	26.3	3.9	5.4	36.1	58.2	1.9	12.0	5.55	3.6	24	7.80	3.1	9.8
10.1	15.9	5.4	9.4	36.6	27.0	5.4	9.5	5.55	4.6	12	2.02	5.9	6.7
11.1	15.8	8.3	13.5	99.9	34.1	4.8	13.6	6.39	4.1	28¾	5.43	5.3	6.3
9.6	7.2	6.5	9.7	15.6	25.0	4.3	11.2	5.54	4.4	25¼	7.41	3.4	9.9
–0.8	–6.7	–1.6	2.8	–28.2	D-P	–59.3	3.1	3.63	23.0	10¼	0.81	12.7	2.3
9.0	10.1	5.8	9.3	18.2	42.3	4.3	10.6	5.00	5.2	22¾	6.12	3.7	9.7
5.1	9.0	7.4	10.1	11.1	8.3	1.3	11.8	3.93	3.8	13¾	4.16	3.3	9.0
9.9	9.6	8.0	9.9	33.0	13.7	11.9	11.9	5.57	4.1	10⅛	2.41	4.2	8.3
11.9	15.5	7.2	9.3	10.6	20.2	6.2	12.6	4.92	2.8	35¼	7.26	4.9	8.5
10.4	11.4	9.1	9.6	9.3	3.6	5.7	15.1	5.42	3.2	20	3.43	5.8	6.6
10.7	1.2	2.1	1.2	–7.6	–28.4	2.2	9.5	2.77	7.6	8⅜	1.51	5.7	11.1
11.7	19.7	8.1	10.5	11.7	4.4	9.3	12.3	5.49	3.3	18¾	4.73	4.0	8.5
5.6	17.6	4.3	12.6	25.3	88.3	–8.3	7.3	4.72	6.0	24¼	6.78	3.6	8.2
6.5	18.6	6.3	10.3	D-P	40.0	–7.8	7.9	3.96	8.0	13	3.29	4.0	10.8
14.3	15.1	9.3	10.3	23.5	13.2	4.8	13.7	4.86	3.6	24	6.79	3.5	8.3
7.1	4.0	4.7	6.3	11.4	12.7	0.0	10.9	4.28	5.3	9⅜	2.40	3.9	11.1
12.5	15.8	11.7	12.1	15.5	17.1	13.4	17.2	6.04	2.6	22	4.31	5.1	7.5
8.7	8.0	8.8	10.1	15.7	12.5	6.0	14.3	5.91	4.9	11⅝	3.06	3.8	8.9
11.1	13.0	9.0	8.7	15.5	–6.7	5.7	13.4	6.02	5.5	14	3.36	4.2	7.7
8.6	17.9	6.5	9.2	13.4	8.4	4.2	9.1	4.43	3.5	20½	5.01	4.1	11.0
15.2	23.0	10.6	27.5	33.2	41.1	—	10.0	5.32	5.6	—	—	—	—
21.6B	17.4B	8.9	14.2	20.1	44.6	7.0	13.3	5.30C	4.9	22½	6.06	3.7	6.4
11.2	16.5	9.4	11.3	23.0	37.6	4.0	14.6	4.25	3.8	18⅜	6.00	3.1	9.7
15.3	15.4	8.0	10.4	15.9	15.9	6.7	14.6	6.00	4.1	27	4.73	5.7	5.9
8.9	13.8	6.2	6.8	8.5	8.1	3.0	11.9	5.50	3.3	24½	5.87	4.2	11.4
16.0	20.7	9.3	10.1	9.1	11.1	4.5	15.0	3.93	1.9	26	5.90	4.4	8.5
8.7	8.7	5.0	5.8	3.8	3.9	5.0	10.1	6.20	6.4	11⅞	2.93	4.0	10.0
5.6	6.8	5.3	7.2	7.3	16.5	1.8	10.1	4.74	5.8	17¼	4.09	4.2	9.3
7.1	7.3	9.8	11.6	31.6	16.6	6.6	12.7	5.63	5.6	17¼	2.25	7.7	2.3
10.8	**15.0**	**8.4**	**10.0**	**13.4**	**16.0**	**5.7**	**12.7**	**4.40**	**4.1**	—	—	**4.4**	**8.3**

*4-year average equals a compounded annual rate: 1979/1975. †From continuing operations after security gains or losses excluding extraordinary items. §Net interest income on a taxable equivalent basis as a percentage of average earning assets. D-P: Deficit to profit. B: Growth based on year-end assets. C: Bank only.

The 50 largest trust operations

The amount of money managed by bank trust departments grew handsomely last year, thanks in large part to a rousing market. Among the top five, Citicorp drew closer to J.P. Morgan, and Manufacturers Hanover, sixth last year, jumped past Bankers Trust and Mellon to number three.

1979 rank	Company	Market value of trust assets* 1979 (millions)	Market value of trust assets* % increase over 1978	Trust department revenues total (thousands)	Trust department revenues % change from 1978	Trust department revenues % of total operating revenues
1	JP Morgan	$30,368	16.7%	$128,058	9.7%	3.5%
2	Citicorp	25,459	29.3	88,208	9.6	0.8
3	Manufacturers Hanover	16,956	74.0†	56,042	23.1	1.5
4	Bankers Trust	14,455	10.8	61,078	8.4	2.2
5	Mellon National	12,323	5.1	24,436	7.1	2.1
6	Harris Bankcorp	11,643	4.8	33,909	20.8	5.8
7	US Trust	9,608	4.0	49,128	4.6	25.0
8	Chase Manhattan	9,391	0.3	62,610	3.3	1.0
9	First Chicago	8,957	33.7	36,171	8.0	1.4
10	Western Bancorp	8,331	23.9	38,376	12.4	1.4
11	Chemical New York	8,202	18.5	44,072	11.2	1.3
12	Northern Trust	7,800	17.9	41,940	9.1	8.6
13	Continental Illinois	7,643	10.6	37,434	8.4	1.1
14	First Bank System	7,463	3.1	28,760	7.4	2.7
15	National Detroit Corp	7,454	–1.3	24,754	8.7	3.0
16	Provident National Corp	7,441	57.3	20,344	32.2	8.6
17	Wells Fargo	7,153	10.5	29,029	20.4	1.4
18	Wilmington Trust	6,729	10.3	10,259	5.9	7.7
19	First National Boston	6,273	1.9	34,256	10.3	2.1
20	Crocker National	5,986	21.3	22,710	19.3	1.4
21	BankAmerica	5,850	–2.5	54,482	10.5	0.6
22	Bank of New York	5,633	1.0	51,616	20.2	6.5
23	AmeriTrust	5,259	13.6	23,539	9.8	4.8
24	The Boston Co	4,900	–22.6	23,079	0.2	67.3
25	Fiduciary Trust Co of NY	4,814	25.4	16,377	18.2	82.8
26	Northwest Bancorp	4,512	7.1	24,389	11.0	2.1
27	Capital Guardian Trust	4,500	11.7	NA	NA	NA
28	First Union Bancorp	4,467	2.5	14,780	12.0	4.4
29	Girard	4,200	9.1	18,562	10.0	4.7
30	Security Pacific	3,950	6.1	30,031	12.0	1.2
31	First Intl Bancshares	3,853	13.8	16,149	15.4	1.5
32	Republic of Texas	3,721	20.3	17,599	14.9	1.9
33	National City Corp	3,508	12.9	12,932	15.2	3.3
34	Irving Bank	3,279	14.7	23,465	3.8	1.8
35	First City Bancorp	3,144	55.3	11,026	3.8	1.4
36	DETROITBANK	3,140	11.1	12,829	1.4	2.9
37	First Pennsylvania	3,101	16.7	14,680	15.6	1.5
38	Wachovia	3,062	3.2	15,735	11.6	3.6
39	American Natl (Chicago)	2,876	31.7	9,453	15.2	4.6
40	Trust Co of Georgia	2,874	11.3	13,934	10.6	5.1
41	First Wisconsin	2,796	11.9	11,278	8.5	2.6
42	Citizens & Southern NB	2,778	–32.1	9,273	–6.0	2.4
43	Marine Midland	2,778	6.3	18,191	6.7	1.3
44	Mercantile Bancorp	2,756	15.3	9,792	8.5	2.6
45	Boatmen's Bancshares	2,735	9.8	5,572	14.1	3.9
46	Manufacturers Natl	2,692	–1.1	8,149	21.7	2.0
47	State Street Boston	2,614	16.2	21,957	23.1	8.8
48	Mercantile Bankshares	2,584	11.2	12,916	9.1	11.6
49	American Fletcher	2,584	15.1	6,362	21.4	2.5
50	Pittsburgh National	2,568	12.0	16,274	7.1	3.5

*Includes only accounts over which the bank exercises investment discretion. †Figures for 1978 do not include Lionel D. Edie & Co. acquisition. NA: Not available.

on only 58%. Many other banks were in similar or worse shape. (The lag between the cost of money and the price of money, of course, works in the banks' *favor* when interest rates decline. But when will that be?)

Yet another window has been closed to the banks this time. In the past it was usually possible to raise lendable money by selling off holdings of Treasury securities and tax-exempt bonds. But with the bond market in collapse, that course would involve prohibitive losses.

There's another problem: debt. Citicorp, the country's second-largest bank holding company, is also the second most heavily leveraged big bank in America, with 55.6% of its total capital in long-term debt (up from 50.5% in 1978). Marine Midland has nearly half of its capital in debt; Chase Manhattan, Manufacturers Hanover, Chemical, Irving Bank and California's Wells Fargo all have more than a third.

Debt represented by bonds is less onerous than the liability of certificates of deposit. Citicorp argues, in fact, that debt earns its own redemption and therefore is really a source of retained earnings equity. With bonds, so long as they carry a fixed rate, the cost doesn't rise with interest rates. But debt is still debt and the banking authorities would rather see the system financed with equity capital. But how can it be? Most bank stocks today sell well below book value. Selling equity would involve merciless dilution for existing shareholders.

Reflecting all these woes, bank stocks have collapsed this year. Citicorp is down 36%, BankAmerica down 29% and First Chicago down 33%. The decline in bank stocks has been two-and-one-half times greater than that for the Dow Jones industrials. Chase Manhattan now sells at a discount of nearly 43% from its book value and Chase has plenty of company. Rumors are rife that some spectacular failures—like that of Franklin National in 1974—are imminent. Warren Marcus, a partner and senior bank analyst at Salomon Brothers, expects regional banks to turn in better results than the large money-center banks because the former are not nearly as dependent on the money market for raising funds.

FORBES' profile of the 100 largest bank holding companies begins on page 104. The figures contain clues to the banks most likely to hold up well in this environment. Well-capitalized banks show up generally as those with the smallest amount of debt to capital. Generally, they are the banks which will, in effect, have low-cost money readily available to lend and invest at 19%-plus.

But for many banks the situation is extremely hairy. You can say this for sure: Banking is no longer a quiet, dull business. ■

Breakfast at Tiffany's

IF YOU'VE ALWAYS LUSTED after a few shares of AT&T, but never felt you could afford it, now may be your chance; they're now almost as cheap as they have been at any time in the past five years. In fact, all 199 of the NYSE stocks below have sunk at least 20% below their 1979 highs. Though not all are blue chips, all made at least some profit in the latest 12 months. Look at some of the names: Citicorp, selling at a five-year low; BankAmerica; American Express.

Each industry category was limited to ten stocks; otherwise, financial institutions (highly sensitive to interest rates) and utilities (to energy prices) would have swamped the list. Some of the nation's largest savings and loan institutions are in the bargain bin—Gibraltar Financial, selling for half its 1979 high; Great Western; Fidelity Financial. Not surprisingly, the struggling construction and automotive industries are taking a beating—such as Johns-Manville, General Motors or General Tire. But so are first-rate consumer-goods and food companies like Avon, Gillette, Procter & Gamble, Philip Morris, Revlon, Coca-Cola and General Foods; and high-technology companies like Memorex (down 65%), Sony, Zenith Radio, Pioneer Electronic and Johnson Controls.

Chances are, companies like these will continue to be good long-term bets. Though they still aren't cheap, compared with last year's prices they could be real bargains for the quality-conscious investor. Think of it as a clearance sale at Tiffany's. ■

Name brands, bargain prices

Company	Decline from 1979 high	Recent price	Five-year price range high-low	Latest 12-month earnings per share	Price/ earnings ratio	Indicated dividend	Yield
Apparel							
Bobbie Brooks	48%	3¼	7⅞– 1⅜	$ 0.23	14	—	—
Cluett, Peabody	37	7⅞	14⅞– 3¼	1.78	4	$0.68	8.6%
Jonathan Logan	52	7¼	18¾– 4¾	1.07	7	0.60	7.7
Palm Beach	26	14¼	20⅝– 2⅛	3.58	4	1.20	8.4
Automotive							
Allen Group	22	13⅜	17¼– 3¼	2.44	5	1.00	7.5
Champion Spark Plug	35	9	14⅜– 8¾	1.49	6	0.80	8.9
Eaton	24	22½	30½–13⅛	5.89	4	1.72	7.6
Firestone Tire & Rubber	48	7¼	26 – 7⅛	0.37	20	0.60	8.3
General Motors	28	47½	78⅞–31¼	10.04	5	5.45	11.5
General Tire & Rubber	40	15¾	30⅜– 9⅜	3.44	5	1.50	9.5
Genuine Parts	21	21¼	28⅜–15½	2.24	9	1.04	4.9
Goodyear Tire & Rubber	40	11¼	25¼–10¾	2.52	4	1.30	11.6
Raybestos-Manhattan	46	18¼	37 –10¾	2.24	8	1.60	8.8
Sheller-Globe	47	6	15⅜– 4⅛	1.08	6	0.30	5.0
Bank holding companies							
BankAmerica	32	21⅛	30⅞–15⅜	4.10	5	1.32	6.2
Citicorp	33	17⅞	39 –17⅞	4.36	4	1.30	7.3
Crocker National	30	24¾	35⅛–14⅞	6.69	4	2.20	8.9
First Chicago	31	13⅜	27¾–13½	2.91	5	1.20	8.8
First National State Bancorp	30	17¾	26⅜–16¾	4.47	4	2.20	12.4
First Pennsylvania	60	6	22 – 6	1.06	6	0.44	7.3
National Detroit	32	24	35⅛–14¾	6.77	4	2.00	8.3
NCNB	32	11¼	16⅝– 7⅜	2.46	5	0.72	6.4
Northwest Bancorp	34	19⅜	29¼–17	4.25	5	1.32	6.8
Security Pacific	28	24¾	34¾–11⅞	5.97	4	1.80	7.3
Chemicals and synthetics							
Du Pont	31	33¼	53¼–29	6.42	5	2.75	8.3
Essex Chemical	31	9¾	17⅜– 2½	2.03	5	0.80	8.2
Ferro Corp	38	18⅛	35 –10⅛	4.07	4	1.20	6.6
International Flavors & Fragrances	34	17	35⅛–16¾	1.68	10	0.80	4.7

Name brands, bargain prices

Company	Decline from 1979 high	Recent price	Five-year price range high-low	Latest 12-month earnings per share	Price/ earnings ratio	Indicated dividend	Yield
Closed-ends and REITs							
American General Bond Fd	28%	16⅛	25⅝–15¼	$17.82†	10‡	2.00	12.4%
CNA Income Shares	27	8⅝	13⅜– 8⅜	9.61†	10‡	1.14	13.2
Current Income Shares	31	8	12⅞– 7¾	9.56†	16‡	1.10	13.8
Equitable Life Mortgage	34	13½	27½–11½	1.79	8	2.00	14.8
InterCapital Income Securities	30	14⅞	24¾–14	16.48†	10‡	1.92	12.9
Japan Fund	45	7¼	13⅜– 5⅜	9.50†	24‡	1.32	18.2
MassMutual Corporate Investors	26	12¾	18¾–11¾	21.97†	42‡	1.72	13.5
Montgomery St Income Securities	30	14⅜	23⅞–14⅜	15.93†	8‡	1.80	12.3
Realty ReFund Trust	44	9	22⅜– 8½	1.49	6	1.49	16.6
Transamerica Income Shares	27	16	24¼–14¾	17.82†	10‡	2.04	12.8
Conglomerates							
American Can	28	29½	43⅜–28	6.18	5	2.90	9.8
AMF	31	12¾	24⅜– 9⅜	2.59	5	1.24	9.7
Dayco	38	11	18½– 6½	3.63	3	0.56	5.1
Eagle-Picher	33	17¼	25⅜– 6½	3.03	6	0.88	5.1
Emhart	43	24	45 –12½	4.38	5	2.40	10.0
Minnesota Mining	28	47¾	68 –43	5.59	9	2.80	5.9
Norton Simon	34	11⅝	23 – 9⅞	2.58	5	1.04	8.9
Purolator	35	23	45½–17⅜	3.85	6	1.36	5.9
Questor	43	5¾	12½– 3⅜	0.88	7	0.20	3.5
Transamerica Corp	27	14⅞	20⅜– 6	3.66	4	1.12	7.5
Construction							
Armstrong Cork	28	13⅜	32⅞–12⅜	2.58	5	1.10	8.1
Boise Cascade	28	29⅛	42½–10½	6.52	4	1.75	6.0
Clark Equipment	32	30¾	46½–22⅜	7.43	4	2.20	7.2
Johns-Manville	28	20	38¼–19	4.13	5	1.92	9.6
Masonite	28	22⅛	30⅞–14⅞	3.49	6	1.32	6.0
Overhead Door	24	14	18½– 5¼	2.95	5	1.00	7.1
Penn-Dixie Industries	52	3	6⅞– 2¾	0.74	4	—	—
Consumer goods							
Avon Products	42	32⅜	63 –27⅞	4.17	8	2.80	8.6
Clorox	38	8½	15⅞– 6⅛	1.43	6	0.76	8.9
Colgate-Palmolive	37	12⅜	34⅞–12	1.39	9	1.08	8.7
Gillette	27	20⅛	38⅞–20	3.67	6	1.72	8.4
Philip Morris	21	30⅜	38⅝–20½	4.08	7	1.60	5.3
Procter & Gamble	30	63	100¾–63	7.45	8	3.40	5.4
Purex Industries	23	14¼	20⅛– 7¾	2.41	6	1.28	9.0
Revlon	34	36⅛	59 –23⅜	4.60	8	1.56	4.3
Unilever NV	22	52½	67¼–32½	11.44	5	4.40	8.4
US Tobacco	28	26¾	37⅜–13¾	3.60	7	2.08	7.8
Electronics							
Craig	63	4⅞	16⅜– 2	0.31	16	—	—
Johnson Controls	26	23½	34½– 4	3.33	7	1.20	5.1
Matsushita Electric Industrial	29	26½	38⅞–10⅞	3.40	8	0.35	1.3
Memorex	65	13¾	60¾– 1½	3.91	4	—	—
Northern Telecom	24	35½	48 –16¼	3.70*	10	1.00*	2.8
Pioneer Electronic	40	13⅜	22⅜– 3½	1.42	10	0.25	1.8
Plantronics	33	15	23⅞– 2	1.38	11	0.16	1.1
Sony	38	6⅝	10¾– 4	0.34	19	0.10	1.5
Square D	26	18¾	29⅞–14¾	2.97	6	1.60	8.5
Zenith Radio	44	8⅝	40⅝– 8⅝	1.01	9	0.60	7.0
Food and beverage							
Coca-Cola Bottling (NY)	34	4⅞	10½– 4¾	0.44	11	0.44	9.0
Coca-Cola	37	29¼	47⅝–26⅝	3.34	9	2.16	7.4
General Foods	32	25	37 –18⅜	5.07	5	2.00	8.0
General Mills	32	20⅝	35⅜–19	3.29	6	1.32	6.4
Gerber Products	32	20⅞	39½–12⅛	3.37	6	1.62	7.8
International Multifoods	37	15⅛	25½– 8⅞	3.08	5	1.20	7.9
Oscar Mayer	34	16¾	26 – 9⅞	2.86	6	1.10	6.6
Royal Crown Cos	31	11⅜	23⅜– 8⅞	2.01	6	1.04	9.1
Universal Foods	42	12⅜	23 – 4⅞	1.70	7	0.96	7.8
Ward Foods	54	5⅜	12⅛– 4⅛	1.46	4	—	—

Company	Decline from 1979 high	Recent price	Five-year price range high-low	Latest 12-month earnings per share	Price/ earnings ratio	Indicated dividend	Yield
Food chain stores							
Borman's Inc	56%	3¾	9⅞– 1¼	$0.57	7	$0.20	5.3%
Dillon Cos	37	15	23⅞– 8⅞	1.82	8	1.08	7.2
Fisher Foods	56	6⅞	16⅞– 6⅞	0.52	13	0.40	5.8
Kroger	44	15¼	27 – 7⅞	3.13	5	1.36	8.9
Lucky Stores	20	14¼	18½– 7⅛	2.01	7	1.12	7.9
Safeway Stores	36	28¼	52⅝–27½	5.49	5	2.60	9.2
Southland Corp	35	20¼	32¾–13⅝	3.12	6	0.84	4.1
Winn-Dixie Stores	26	25	34¾–20⅞	3.36	7	1.68	6.7
Health products and services							
American Home Products	21	23⅝	43¼–23⅛	2.51	9	1.60	6.8
Baxter Travenol	24	37½	51⅜–28¼	3.14	12	0.64	1.7
Frigitronics	55	8⅜	24⅞– 6⅞	1.21	7	0.30	3.6
Hillenbrand Industries	25	28¾	38⅛–12¼	5.10	6	1.30	4.5
IPCO	38	4⅛	9¼– 2⅜	0.29	14	0.12	2.9
Eli Lilly	23	49¼	79¾–32⅝	4.52	11	2.10	4.3
Industrial goods							
Allis-Chalmers	32	26⅜	38⅝– 6⅝	6.23	4	2.00	7.6
Baldor Electric	41	14½	24⅝– 3⅛	1.50	10	0.24	1.7
Chicago Pneumatic Tool	32	19⅞	35¾–18¾	4.70	4	2.00	10.1
General Steel	30	7¾	11 – 1¾	1.31	6	0.40	5.2
Gleason Works	31	17½	25¾– 4⅝	3.91	4	0.80	4.6
Illinois Tool Works	26	21⅞	30 –17	2.98	7	1.00	4.6
Lamson & Sessions	48	11	21 – 4⅞	3.03	4	0.80	7.3
Richardson Co	48	18¼	35 – 8	2.12	9	1.30	7.1
Twin Disc	27	16½	24½– 6¼	3.33	5	1.10	6.7
Insurance and other financial							
American Express	31	25½	45 –24¾	4.83	5	1.80	7.1
Beneficial Corp	43	18¼	32⅛–14⅛	4.24	4	2.00	11.0
Colonial Penn	42	15¾	41¾–15¾	4.48	4	1.40	8.9
Dial	45	14½	26½– 6¼	3.36	4	1.20	8.3
Federal Natl Mtge Assn	34	12⅞	19⅞–11⅞	2.81	5	1.28	9.9
Household Finance	36	14⅛	22⅛–11⅞	3.33	4	1.55	11.0
Jefferson-Pilot	38	23½	38¾–23½	4.43	5	1.20	5.1
MGIC Investment	52	18½	38⅜– 8⅛	3.36	6	1.12	6.1
USLIFE	30	19½	28 – 9¼	3.91	5	0.68	3.5
Washington National	46	21¼	39 – 9½	4.62	5	1.50	7.1
Miscellaneous							
American Broadcasting	37	30	47⅞– 8¾	5.67	5	1.60	5.3
American District Telegraph	39	16⅜	36 –16⅜	2.73	6	1.16	7.1
Chelsea Industries	49	7⅜	14½– 4⅜	2.54	3	0.60	8.1
Clevepak	49	5¾	14⅞– 3⅜	0.64	9	0.60	10.4
Esquire	47	12½	23⅜– 3¾	3.33	4	0.70	5.6
Fleetwood Enterprises	47	6¾	20⅜– 6½	0.13	52	0.52	7.7
EF MacDonald	36	7⅛	14 – 1¼	1.16	6	0.40	5.6
Polaroid	64	20⅜	60¼–15	1.10	19	1.00	4.9
Rexham	48	11⅜	22½– 2⅜	2.07	6	0.60	5.2
Talley Industries	56	5½	15⅜– 5	0.67	8	—	—
Toro	49	15	29⅜– 3⅜	3.27	5	0.88	5.9
UMC Industries	39	11⅛	22⅜– 8½	2.30	5	1.20	10.8
Restaurants							
Collins Foods International	51	9	19⅜– 2⅛	2.17	4	0.32	3.6
Denny's	55	12	35 – 6⅜	2.60	5	0.88	7.3
McDonald's	29	37	66 –26¾	4.68	8	0.56	1.5
Ponderosa System	53	10⅞	30½– 3⅞	3.33	3	0.40	3.7
Retailing—department stores							
Allied Stores	30	19⅜	29⅜– 7⅞	4.24	5	1.70	8.8
Garfinckel, Brooks Bros	46	14¼	29⅛– 6⅞	2.97	5	1.30	9.1
King's Dept Stores	39	9⅞	18 – 5½	2.06	5	0.90	9.1
K mart	34	18⅞	43¾–18¼	2.96	6	0.84	4.5
Marshall Field	44	14½	35¼–14⅜	1.88	8	1.24	8.6
May Dept Stores	28	19⅞	36 –14¾	4.35	5	1.40	7.0
JC Penney	34	22	63¼–20⅝	3.61	6	1.76	8.0
Sears, Roebuck	30	15⅜	39⅜–14⅞	2.76	6	1.36	8.8

*Canadian. †Net asset value. ‡% discount from net asset value.

Name brands, bargain prices

Company	Decline from 1979 high	Recent price	Five-year price range high-low	Latest 12-month earnings per share	Price/ earnings ratio	Indicated dividend	Yield
Retailing—other							
Jack Eckerd	27%	22⅛	33¾–14⅝	$2.72	8	$1.00	4.5%
Edison Bros Stores	40	21	35 – 5⅞	3.87	5	1.32	6.3
Gap Stores	56	6	17⅜– 6	1.45	4	0.38	6.3
Melville	21	24¾	33⅞– 6⅜	4.04	6	1.60	6.5
Modern Merchandising	29	11⅛	19¾– 1¼	1.90	6	0.20	1.8
Morse Shoe	36	12⅛	20⅛– 1¼	3.01	4	0.72	5.9
Outlet	37	16	33⅜– 5⅜	2.15	7	1.00	6.3
Pay Less Drug Stores NW	39	15⅞	26 – 4⅛	2.45	6	0.60	3.8
Petrie Stores	45	23¼	49⅜–17	3.42	7	1.40	6.0
Thrifty Corp	43	9⅞	17¼– 4¼	1.46	7	0.72	7.3
Savings and loans							
HF Ahmanson	47	15	28¼– 6⅞	5.11	3	1.20	8.0
Fidelity Financial	56	6	13½– 2⅜	2.48	2	0.60	10.0
Financial Corp of America	47	10	19 – 1⅜	3.13	3	0.50	5.0
Financial Corp of Santa Barbara	44	11	19½– 2⅜	3.14	4	1.00	9.1
First Charter Financial	49	11⅛	21¾– 8⅜	3.05	4	0.80	7.2
Gibraltar Financial	53	7¾	16⅜– 2⅜	2.12	4	0.60	7.7
Great Western Financial	45	15¼	27¾– 7⅛	4.15	4	0.88	5.8
Imperial Corp of America	45	16¼	29⅜– 7½	5.24	3	1.20	7.4
Northern California S&L	50	11	21⅞– 4⅜	3.40	3	0.70	6.4
TRANSOHIO Financial	48	9⅛	17⅜– 3⅝	3.43	3	0.40	4.4
Transportation							
Airborne Freight	36	18	28¼– 3¼	2.17	8	1.20	6.7
Consolidated Freightways	28	20⅜	34 – 9⅛	5.06	4	1.30	6.4
Delta Air Lines	26	34⅞	58 –25⅜	5.21	7	1.20	3.4
Emery Air Freight	40	14⅛	28¾–13⅛	1.46	10	1.00	7.1
KLM Royal Dutch Airlines	51	30¼	82⅞–15	0.04	NM	3.49	11.3
Northwest Airlines	37	22¾	37⅛–11⅝	3.35	7	0.80	3.5
Pan American World Airways	42	4⅜	10¾– 2	1.07	4	—	—
Transcon Lines	55	6½	14½– 5⅞	0.58	11	0.60	9.2
Utilities—electric							
Eastern Utilities	31	10¾	19⅞– 8⅜	1.75	6	1.60	14.9
Hawaiian Electric	29	19⅜	28¼–16½	3.67	5	2.44	12.4
Middle South Utilities	31	11¼	17⅞–10¼	2.15	5	1.58	14.0
Ohio Edison	30	12¼	21½–11⅜	1.80	7	1.76	14.4
Philadelphia Electric	30	12¼	21¼–11⅛	1.86	7	1.80	14.7
Public Service Co of Indiana	31	18¾	31⅞–17⅜	3.77	5	2.32	12.4
Public Service Co of NH	33	14⅛	22½–11½	2.56	6	2.12	15.0
St Joseph Light & Power	29	9⅜	14⅛– 8⅞	1.31	8	1.26	13.4
Union Electric	31	10¼	16¾– 9⅜	1.73	6	1.44	14.0
Virginia Electric & Power	36	9½	15¾– 8¼	1.63	6	1.40	14.7
Utilities—gas or gas/electric							
Community Public Service	36	14¼	22¼–13⅞	2.48	6	1.88	13.2
Consumers Power	31	16⅜	25⅞– 9⅞	3.24	5	2.36	14.4
Gas Service	32	11	16¼– 8⅜	2.62	4	1.28	11.6
Kansas Gas & Electric	33	13¼	22⅜–11¾	1.84	7	1.94	14.6
Northern Ind Public Service	30	11¾	21¼–10⅞	1.79	7	1.50	12.8
Orange & Rockland Utilities	30	11	16¾– 7½	2.00	6	1.56	14.2
Rochester Gas & Electric	31	12⅛	19⅜– 9⅛	2.14	6	1.48	12.2
South Carolina Electric & Gas	30	12⅝	21 – 9¾	1.93	7	1.74	13.8
Toledo Edison	29	16½	27⅛–15¾	2.65	6	2.20	13.3
Washington Gas Light	31	18⅞	27½–12	2.76	7	2.40	12.7
Utilities—other							
American Tel & Tel	28	46¾	65⅝–44¾	8.04	6	5.00	10.7
Bell Canada	21	15⅝	19⅞–13⅜	2.64*	6	1.64*	10.5
Central Tel & Util	22	22⅜	28¾–16½	3.34	7	2.00	8.9
Communications Satellite	27	34⅝	49⅜–23	5.02	7	2.30	6.6
Continental Telephone	26	13⅛	17⅞–10	2.15	6	1.36	10.4
General Tel & Electronics	22	24	33½–16⅞	4.20	6	2.72	11.3
Mountain States Tel & Tel	26	20	29¼–16¼	3.48	6	2.32	11.6
Pacific Tel & Tel	24	11¾	18⅞–11⅜	1.84	6	1.40	11.9
United Telecommunications	32	14⅜	21⅛–12½	2.63	6	1.52	10.4

*Canadian. NM: Not Meaningful.

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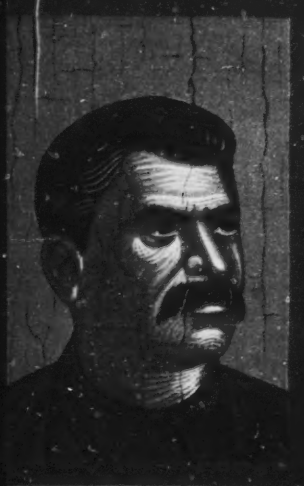
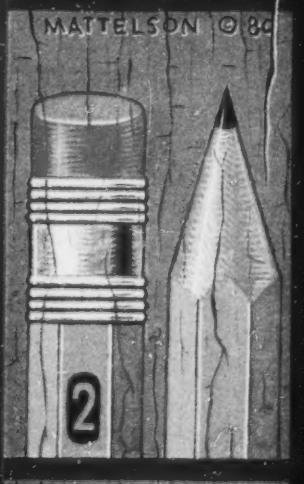
APRIL 28 1980

TWO DOLLARS

Forbes





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Forbes

April 28, 1980
Volume 125, Number 9

Cover Story: Son of a communist, friend of Nikolai Lenin—but a capitalist to his fingertips—81-year-old Armand Hammer has defied both time and history. **45**

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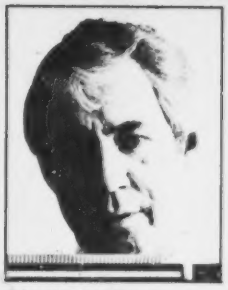

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Property and casualty companies came close to disaster in the mid-Seventies by playing the stock market. Are they making the same mistake now by slashing prices to buy bonds?

Here we go again?

By Ben Weberman

IN THE $90 BILLION (premiums written) property and casualty insurance business, they tend to talk about the painful cycles in underwriting losses as if they were acts of God, like locust plagues or droughts or severe winters. The cycles come and go and there isn't much the poor businessman can do but ride them out. That's the *myth*. The truth is that the cycles are partly self-inflicted by the industry. Right now it looks as if the industry is afflicting itself with a bad outbreak of underwriting losses.

It's a fact of life in the property and casualty business that the companies often lose money on their policies; that is, the premiums, net of commissions and other expenses, frequently fall short of the claims. How do the companies stay in business? Because they collect premiums in advance and because they have built up reserves, the companies always have plenty of money to invest. They make enough on their investments to cover the underwriting losses and allow a profit on the margin.

What tends to make this a boom or bust industry is that the underwriting losses ebb and flow in a regular cycle. At the worst part, the losses eat up most or all of the investment profits.

That was the case for most companies at the bottom of the previous underwriting cycle. Take INA Corp., which ranks among the top ten property-casualty companies and writes almost $3 billion a year in premiums. The property-casualty group had $297 million of investment income last year. That was more than ample to offset $85 million of insurance losses, generating a pretax profit of $213 million. In 1975, when claims were high and investment income low, the company lost $2 million. This resulted from an underwriting loss of $129 million, which exceeded the $127 million of investment and other income.

In part the cycle is a product of inflation. In a period of rapidly rising prices, claims rise faster than premiums. Where the damage is self-inflicted, however, is when the participants begin to shave premiums to lure business from rivals. That is what is happening right now. Reports are rife about major companies offering to cut rates by 10% to 25% or more to get new business even though they know inflation is going to raise the cost of their claims. Why are companies reaching for business when a recession is pending and inflation is at a high rate? They are doing it because they are dying to get their hands on premiums so that they can invest the money at current high interest rates.

The situation has gotten so hairy that Conning & Co., the well-known Hartford insurance stockbroker, thinks the industry's combined underwriting ratio will worsen by as much as 4 percentage points this year and another 4 to 6 in 1981. This key ratio expresses the relationship between expenses and claims on the one hand and premiums on the other. This ratio was 97.4% in 1978 and 100.7% in 1979; so, if Conning is right, it could be as high as 110% in 1981. Higher investment income will moderate the decline in net earnings, Conning predicts, but the whole situation raises a very basic question: What is the point of

Richard E. Stewart of Chubb Corp.
"A loss reserve is a hostage to fortune."

higher investment income if the cost of getting the money to invest more than eats up the extra income?

Most casualty companies are still counting on large investment income profits to more than offset underwriting losses. That kind of optimism almost led to disaster in the mid-1970s, when many casualty companies faced insolvency after the stock market fell out of bed and their portfolios of high-performance common stocks lost 40% of their market value over two years. Those losses came close to wiping out the statutory surpluses for some of the country's largest property and casualty insurers.

Did they learn their lesson? Hardly. The companies are still competing too aggressively for premiums, but this time the new cash is going into fixed-income securities rather than common stocks. Yields of 16% or more on money market instruments, 14% or more on corporate bonds, and unheard-of 10% yields on tax-exempts are irresistibly attractive.

Investment, in short, has become an end in itself rather than an underwriting buffer. Insurers believe they are responding to competition when, in reality, they are responding to a primordial, subliminal impulse to bring in cash at any price.

Richard E. Stewart, senior vice president and chief financial officer of Chubb Corp., the $2.5 billion (assets) insurer, puts it this way: "We accept, almost cherish, horror stories about the [rate-cutting] market antics of competitors but refuse to acknowledge that our own companies are doing the same thing. Every company growing rapidly in these price-competitive markets is probably cutting prices, broadening coverage, loosening underwriting standards or otherwise leaving money on the table."

What's really happened, says Stewart, is that insurance companies have entered "the risk money game" wholeheartedly. "The investment income game is not new, but never before has it been played so boldly by so many with such evident assumptions of perpetuity," he says. "The rationalization is that maybe it's worth paying a little for the investable funds; after all, banks do." Warns Stewart: "On paper, it's easy to calculate how much underwriting loss can be justified by investment and reinsurance arrangements. However, the real game is not played with such perfect knowledge and composure. A lot can happen in three years. A loss reserve is *not* an asset. It is a hostage to fortune."

Not so long ago, Stewart says, every dollar of premium would incur, say, 30 cents of overhead and 65 cents of claim and leave a 5-cent profit. Today more and more managements have decided that the profit from investing will bring a big return that is far more rewarding than underwriting. The premium is merely the vehicle used to raise cash. Playing the market becomes more important than doing a good job in the insurance business. Because they cannot resist those 15%-and-up yields, many insurance people are taking big chances to get hold of investable cash.

But just as there was risk in investing heavily in stocks a decade ago, so there is risk today in investing cheap premium dollars in high-yielding fixed-income securities. Partly there is a market risk. With many high-grade bonds now selling at 70 cents or even 60 cents on the dollar, some of the insurance companies are sitting with paper losses, which, if realized, would wipe out their surpluses. For those who avoided *market* risk by concentrating in short-term and money market securities, there is the risk of declining interest rates. An insurance company could find itself in the red if premiums were written in the expectation of 15% portfolio returns and returns subsequently dropped to, say, 10%.

Stewart's own company, Chubb, is better managed than most, but even *its* balance sheet shows how vulnerable the entire industry is to outside market forces. As of last Dec. 31, Chubb's P&C companies had a paper loss of $140 million on their $1.2 billion fixed-income portfolio. Since then, thanks to the bond market's collapse, it has lost at least another $100 million on paper. If all these losses had to be realized, little would be left of Chubb's $306 million statutory surplus. An industry with this magnitude of potential losses can scarcely afford big underwriting losses—yet that is precisely what it is risking.

What helps Chubb and the others is that standard accounting procedure, although it calls for annual revaluation of common stocks to market values, doesn't require it for fixed-income issues. But what happens if an extraordinary underwriting crunch forces due bonds to be sold? In times like this, one would think the industry would tighten up on underwriting risks. Instead it seems to be incurring unnecessary ones.

Perhaps the insurance industry can't do much about inflation and high interest rates and sometimes stingy rate-setting authorities, but its members have no one to blame but themselves when they overreach for cash to play the bond and stock markets. ■

Costly price-cutting

For property and casualty insurers, investment income has become an end in itself rather than a cushion against underwriting losses. Eager for premium dollars to invest, some P&Cs are waging price wars. Below, the recent record for ten big P&Cs. In some cases nothing—or even less than nothing—is left of premium income after expenses and claims are subtracted.

Company	Underwriting ratios* Overhead 1979	Overhead 1978	Claims 1979	Claims 1978	Combined 1979	Combined 1978	Pretax property-casualty policy profit 1979 (thousands)	Pretax net investment income 1979 (thousands)
Aetna Life & Casualty†	27.0%	26.7%	72.5%	65.7%	99.5%	94.4%	$ 50,871	$266,917
Aetna Insurance‡	32.7	31.8	77.8	66.6	110.5	98.4	–85,717	91,450
American Int'l Group	23.4	23.4	70.9	70.0	94.3	93.4	87,271	161,342
Chubb	34.0	32.6	63.9	62.6	97.9	95.2	18,800	84,200
Continental	31.3	30.2	70.1	65.0	101.4	95.2	–35,601	236,726
Crum & Forster	31.1	30.7	69.4	66.9	100.5	97.6	1,929	160,629
INA	30.4	29.2	72.4	71.2	102.8	100.4	–84,039	297,441
Safeco	35.3	34.9	55.4	55.1	90.7	90.0	69,637	71,737
St Paul	30.1	29.8	69.9	64.1	100.0	93.9	–1,460	146,190
Travelers**	28.7	27.9	73.7	72.4	102.4	100.3	–102,300	335,600

*As % of net premiums written. †Property-casualty subsidiaries only. ‡Subsidiary of Connecticut General. **Policyholder dividends deducted from premiums.
Source: Oppenheimer & Co.

Statistical Spotlight

Many U.S. banks have done a good job running their own type of mutual funds.

Bank common stock funds

AT LAST COUNT U.S. banks managed over $500 billion in their investment accounts, but only a very small percentage—over $21 billion, or about 4%—was in investment vehicles generally used for trust funds and employee benefit plans. These vehicles are the so-called commingled funds that many banks offer, quite similar in nature to ordinary mutual funds. Also like mutual funds, the bank funds may have differing investment objectives that affect their performance.

The table at right is limited to bank common stock funds, which together contain about $10 billion in assets. The funds listed are ranked by their performance in 1979, with further columns showing their performance over two longer time spans. The first ten listed are the top performers, the next ten the runners-up, among the larger funds (assets over $10 million). The third table is made up of the best performers among the under-$10 million funds.

Interestingly, even the larger funds sponsored by major banks tend to be small. Only 7 of the top 20 had assets exceeding $100 million, and only 1 (sponsored by Morgan Guaranty) had broken the $1 billion barrier.

Ten best-performing common stock funds with assets of $10 million and over

Bank (objective)	Location	Performance* 1979	Performance* 1976-1979	Performance* 1974-1979	Total assets (mil)
Manufacturers Hanover Trust (Long-term capital growth)	New York, NY	50.6%	69.2%	NA	$160
Chemical Bank (Maximum capital gains)	New York, NY	38.7	NA	NA	48
US National Bank (Maximum capital gains)	Portland, Ore	36.2	51.0	142.7%	14
Chase Manhattan (Maximum capital gains)	New York, NY	35.9	45.7	NA	190
Citibank (LT capital growth income)	New York, NY	34.5	50.9	136.4	318
First Union Natl Bank (Growth and current income)	Charlotte, NC	32.5	NA	NA	14
Natl Bank of Commerce Trust (Long-term capital growth)	Lincoln, Neb	31.4	58.7	108.0	17
Seattle First National (Long-term capital growth)	Seattle, Wash	30.7	34.5	107.7	23
Ft Worth National Bank (Long-term capital growth)	Ft Worth, Tex	30.6	45.5	163.1	11
Rainier National Bank (Growth and current income)	Seattle, Wash	28.7	26.7	95.6	33

Ten runners-up

Mercantile National Bank (Growth and current income)	Dallas, Tex	28.2%	32.0%	120.2%	$87
Rainier National Bank (LT capital growth & income)	Seattle, Wash	27.7	28.8	90.7	14
First National Bank (Long-term capital growth)	Minneapolis, Minn	26.7	25.4	93.2	68
Equitable Trust (LT capital growth & income)	Baltimore, Md	25.5	29.6	107.9	10
Connecticut Bank & Trust (Long-term capital growth)	Hartford, Conn	25.4	25.5	NA	14
Manufacturers Hanover Trust (Long-term capital growth)	New York, NY	25.3	27.3	78.0	108
Citibank (LT capital growth & income)	New York, NY	25.2	22.6	72.7	189
Northwestern National (Growth and current income)	Minneapolis, Minn	25.1	21.0	85.1	89
National City Bank (LT capital growth & income)	Cleveland, Ohio	25.0	32.6	105.3	115
Morgan Guaranty (Specialized)	New York, NY	24.9	38.5	156.9	1,341

Ten best-performing common stock funds with assets under $10 million

First National Bank (Maximum capital gains)	Little Rock, Ark	39.5%	77.4%	173.9%	$3
First Trust Corp (Growth and current income)	Denver, Colo	35.0	47.4	180.1	8
Peoples National Bank (LT capital growth & income)	Seattle, Wash	33.3	23.0	62.5	3
First Union National Bank (Long-term capital growth)	Charlotte, NC	29.4	21.7	70.2	8
Worthen Bank & Trust (LT capital growth & income)	Little Rock, Ark	29.0	27.4	91.2	1
US National Bank (Growth and current income)	Galveston, Tex	28.1	54.3	181.2	7
State National Bank (LT capital growth & income)	Bridgeport, Conn	27.8	23.1	69.8	†
Colonial American Natl Bank (Long-term capital growth)	Roanoke, Va	27.1	20.0	42.8	2
Rainier National Bank (LT capital growth & income)	Seattle, Wash	26.6	26.4	78.2	9
Colonial American Natl Bank (Long-term capital growth)	Roanoke, Va	26.6	20.3	75.5	5

*Total Return: Increase in stock prices over the period plus reinvestment of income. †Less than $1 million. NA: Not available.

Source: Computer Directions Advisors

For two years FORBES ran a list of 100 companies that analysts estimated would have the best earnings gains. The gains came and the stocks shot up. So here's . . .

Statistical Spotlight

Act III

RANDOM WALKERS CLAIM security analysts' estimates of annual earnings are worthless. Are the iconoclasts correct? It depends on how precise you expect them to be. A year ago FORBES ran consensus estimates of corporate earnings prepared by Lynch, Jones & Ryan's Institutional Brokers Estimate System. We listed 100 stocks where analysts expected major earnings gains. When the actual earnings were reported recently, slightly more than half came within 20% of the year-ago predictions; about one in six was off by 50% or more. What does this prove? That as a rough guide the predictions are useful even though they are hardly of bull's-eye accuracy. The usefulness resides chiefly in this: As a group, these 100 stocks outperformed the market. The 100 chosen stocks rose 12% in a market that was down by 10%. A year earlier FORBES ran a similar list with similar results.

So, here we go again. The 100 stocks below are predicted by Lynch, Jones consensus figures to show earnings gains of 33% or more for 1980 over 1979. A word about the estimates: Based on a consensus of analysts' predictions, they naturally vary widely in the range of opinions on any one stock, as seen in the final column below. The smaller the percentage, the greater the unanimity. ■

The golden ones III

One hundred companies for which institutional analysts predict a minimum gain of 33% in earnings per share.

Company	Fiscal year ended	Recent price	1979 earnings per share*	Average of analysts' estimates of fiscal 1980 EPS*	Increase of 1980 over 1979	P/E based on 1980 earnings estimates	Number of estimates	Variation in earnings estimates†
Fleetwood Enterprises	Apr	5⅝	$0.10E	$0.77	670%	7	5	62%
Caesars World	July	12¼	0.35	1.90	443	6	5	16
Royster	June	12⅝	0.40	1.94	385	7	4	39
Metpath	Sept	24⅜	0.44	2.01	357	12	8	15
First Mississippi	June	25	0.55	2.49	353	10	6	30
Santa Fe International	Dec	34	0.78	3.08	295	11	17	26
Westmoreland Coal	Dec	20	0.26	0.98	277	20	9	35
Saga	June	7⅝	0.44	1.50	241	5	4	10
SEDCO	June	61¼	1.15	3.55	209	17	16	27
Fotomat	Jan	5⅛	0.27E	0.73	170	7	7	32
RG Barry	Dec	6⅛	0.55	1.32	140	5	3	16
Manhattan Industries	Jan	6½	0.92E	2.14	133	3	3	15
Gulf Resources & Chemical	Dec	21½	1.58	3.68	133	6	3	53
Sony	Oct	7	0.34	0.72	112	10	6	17
Copeland	Sept	18¾	1.45	3.06	111	6	6	5
General Automation (Calif)	July	10⅞	0.45	0.95	111	11	4	55
Dataproducts‡	Mar	13⅞	0.95E	1.99	109	7	7	7
Polaroid	Dec	19¾	1.10	2.23	103	9	19	25
Inco Ltd	Dec	23⅝	1.58	3.18	101	7	13	28
International Tel & Tel	Dec	23⅞	2.65	5.30	100	5	7	7
Transcon Lines	Dec	5⅝	0.58	1.16	100	5	6	19
Offshore Logistics	June	17	1.02	2.03	99	8	4	26
Limited Stores	July	5⅞	0.34	0.67	97	9	4	25
AE Staley Mfg	Sept	38¼	1.86	3.67	97	10	9	12
Forest Oil	Dec	25¼	0.79	1.55	96	16	4	19
Archer-Daniels-Midland	June	27⅜	1.63	3.12	91	9	13	7
Lockheed‡	Dec	26	2.01	3.71	85	7	12	14
Research-Cottrell	Oct	13⅞	1.13	2.09	85	7	9	10
Savannah Electric & Power	Dec	9⅛	1.24	2.28	84	4	3	15
Envirotech	Mar	8	0.75E	1.37	83	6	7	21
Kennecott Copper	Dec	29	3.93	7.13	81	[illegible]	15	30
Tom Brown	Mar	39½	0.49E	0.87	78	5	4	35
Bally Mfg	Dec	21	1.73	3.07	77	7	7	9
GCA Corp	Dec	36	1.88	3.24	72	11	5	2
Amdahl	Dec	18⅜	1.02	1.74	71	11	14	21

Company	Fiscal year ended	Recent price	1979 earnings per share*	Average of analysts' estimates of fiscal 1980 EPS*	Increase of 1980 over 1979	P/E based on 1980 earnings estimates	Number of estimates	Variation in earnings estimates†
Coca-Cola Bottling Co NY	Dec	4½	$0.44	$0.74	69%	6	6	18%
Grumman‡	Dec	20¼	1.89	3.15	67	6	6	19
Crutcher Resources	Oct	16⅞	0.81E	1.34	65	13	4	16
Wang Labs	June	30	1.17	1.91	63	16	14	5
Berkey Photo	Dec	3¼	0.63	1.03	63	3	3	16
Cray Research	Dec	41¼	1.89	3.05	61	14	4	18
Castle & Cooke‡	Dec	11	1.14	1.81	59	6	8	20
Portland General Electric	Dec	11⅜	1.06	1.67	58	7	5	24
ASARCO	Dec	30⅜	8.56	13.36	56	2	10	25
Freeport Minerals	Dec	39	3.06	4.77	56	8	8	19
Ocean Drilling & Exploration	Dec	81⅜	4.20$_f$	6.55	56	12	13	24
Colgate-Palmolive	Dec	11¼	1.39	2.16	55	5	11	7
Adobe Oil & Gas	Dec	42½	1.60	2.47	54	17	3	20
Marathon Oil	Dec	52⅞	4.88	7.52	54	7	22	9
Homestake Mining	Dec	41½	5.41	8.33	54	5	3	51
Texasgulf	Dec	34½	4.05	6.22	54	6	6	11
Phelps Dodge	Dec	28¾	5.06	7.70	52	4	15	29
Tandem Computers	Sept	42	1.18	1.79	52	23	7	17
Western Co of North America	Dec	38⅞	2.40	3.62	51	11	14	8
Rockcor	Oct	7⅝	0.40	0.60	50	13	3	8
Service Merchandise	Dec	8⅞	1.54	2.30	49	4	10	12
Gearhart-Owen Industries	Jan	45½	2.23E	3.32	49	14	9	6
Prime Computer	Dec	24⅛	1.34	1.98	48	13	13	7
UNC Resources‡	Mar	12⅝	1.55E	2.26	46	6	3	30
Portec‡	Dec	13⅛	1.75	2.55	46	5	4	17
Earth Resources	Aug	24	3.05	4.44	46	6	4	22
Humana	Aug	37¼	1.98	2.87	45	13	12	5
CPT Corp	June	18½	0.90	1.30	44	14	3	7
Reading & Bates‡	Dec	34	2.89	4.14	43	8	11	14
Zapata	Sept	26⅝	2.36	3.38	43	8	7	15
Wyman-Gordon	Dec	28	2.28	3.26	43	9	7	9
Rolm	June	37⅜	1.50	2.14	43	17	13	6
Monogram Industries (Del)	June	36	5.78	8.23	42	4	5	2
Aydin‡	Dec	21⅝	1.78	2.53	42	9	3	2
Standard Oil of Ohio	Dec	84⅞	9.83	13.94	42	6	22	8
Anixter Brothers‡	July	25½	2.50	3.54	42	7	6	12
Yellow Freight Systems	Dec	13¾	1.45	2.05	41	7	11	11
Jerrico	June	17	2.10	2.97	41	6	6	4
American Microsystems	Dec	14⅝	1.07	1.50	40	10	4	7
Dorchester Gas	Aug	24⅛	2.84	3.98	40	6	5	8
Southern Indiana G&E	Dec	14⅞	2.29	3.20	40	5	7	5
Beverly Enterprises	Dec	8¾	0.88	1.22	39	7	4	7
Franklin Electric	Dec	13	1.25	1.74	39	7	4	6
Subaru of America	Oct	10½	1.74	2.42	39	4	3	7
Teleprompter	Dec	17⅝	1.14	1.58	39	11	5	5
House of Fabrics	Jan	3⅞	0.58E	0.80	38	5	3	6
Lear Petroleum	Sept	16½	0.89	1.22	37	14	3	23
Huffy	June	15⅞	1.90	2.60	37	6	4	13
Puritan-Bennett	Dec	15¼	1.62	2.22	37	7	3	1
Mitchell Energy & Development	Jan	38¾	2.67E	3.66	37	11	9	21
Teradyne	Dec	37⅜	2.36	3.23	37	12	13	12
Pennzoil‡	Dec	36½	4.56	6.21	36	6	8	17
Seagram	July	38	2.64	3.59	36	11	7	3
Color Tile	June	17¼	1.12	1.52	36	11	11	6
Lomas & Nettleton Financial‡	June	10⅞	1.41	1.92	36	6	6	14
General American Oil (Tex)	June	47⅝	2.25	3.03	35	16	3	17
West Point-Pepperell‡	Aug	29⅞	5.13	6.91	35	4	6	14
Leggett & Platt	Dec	10⅞	1.70	2.29	35	5	4	4
Woods Petroleum	Dec	17⅛	1.05	1.42	35	12	4	9
Standard Motor Products	Dec	7⅛	1.80	2.42	34	3	5	12
US Surgical	Dec	24	1.36	1.82	34	13	4	5
Gelco‡	July	23⅛	3.39	4.55	34	5	6	15
Richardson-Merrell	June	19¾	2.66	3.57	34	6	15	3
Computervision	Dec	44¼	2.09	2.80	34	16	5	8
Republic Airlines	Dec	6	0.70	0.93	33	6	3	30

*For fiscal years ending June through May of the following year. †Percentage range around the average in which about two-thirds of analysts' estimates fall. The lower the percentage, the greater the agreement among the analysts. ‡Fully diluted earnings per share. E: Estimate.
Source: Institutional Brokers Estimate System; Lynch, Jones & Ryan.